

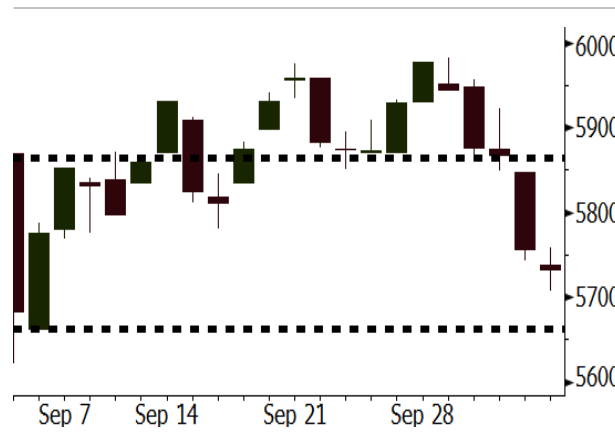
Weekly Brief (October 08 – 12)

Summary:

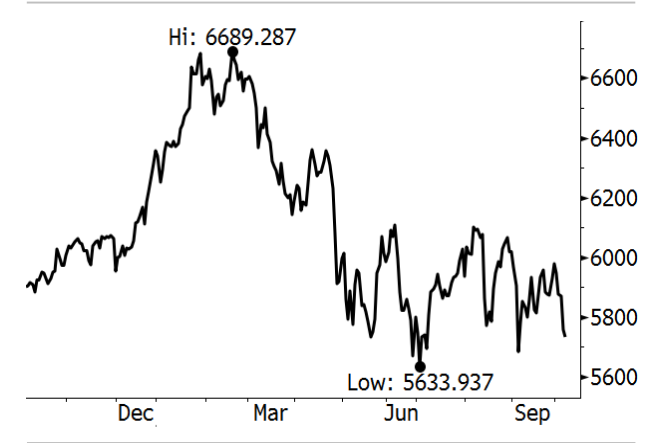
After rallying for 3 consecutive weeks, JCI tumbled last week. The steep decline was attributable to the external pressure of the rally in global crude prices. Investors concerned about the U.S. sanctions against Iran taking into effects in November 2018 to have an impact of reducing global crude supply resulting in hiking global crude prices. The rally in global crude prices caused the rupiah to be depreciated further and hit hardest at above 15,000 per the U.S. dollar.

Within this week, JCI is estimated to be capable of halting its declining and rallying. Investors will focus on the data of retail sales growth. Although the rupiah is depreciated further, the growth in the retail sales is kept in check at the average of 3%. The agenda for IMF and World Bank annual meeting to be held in Indonesia within this week is on the spotlight. Investors will focus on the direction from international financial agencies amid the global economic volatility. We recommend MAPI robust facing the further rupiah depreciation and INCO positively correlated to the rally in global nickel prices.

JCI - one month



JCI - one year



Last Week's Recap

- Jakarta Composite Index (JCI) : 5,731.94 (-4.09%)
- Foreign Investor : net sell of IDR2.4 trillion (Vs previous week's net buy of IDR1.6 trillion)
- USDIDR : 15,183 (+1.88%)
- 10-year Government Bond Yield : 8.378% (+26.3 bps)

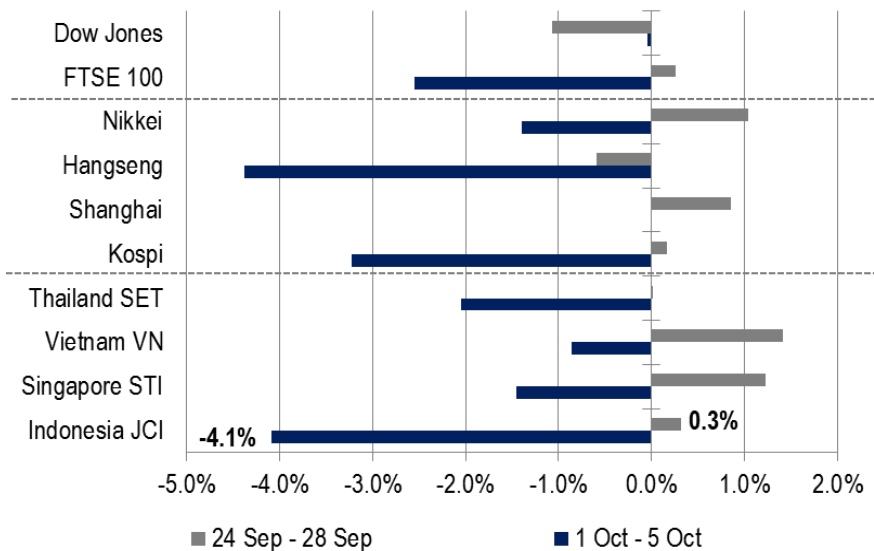
Deflation of 0.18% in September

The Central Statistics Agency (BPS) released September's deflation of 0.18% m-m, bigger than August's deflation of 0.05%. September's deflation mainly sourced from corrections to foodstuff and halted acceleration in core inflation. In September, the foodstuff was deflated by 1.62% m-m, bigger than August's deflation of 1.10% m-m. On annual basis, September's inflation was at 2.88%, lower than August's inflation of 3.20%. On the other side, September's core inflation was at 2.82% y-y, lower than August's core inflation of 2.90%. The discontinued acceleration in core inflation showed the constrained rate of domestic demand. The expectancy of the rupiah depreciation caused consumers' confidence to lower.

Rally in Global Crude Prices

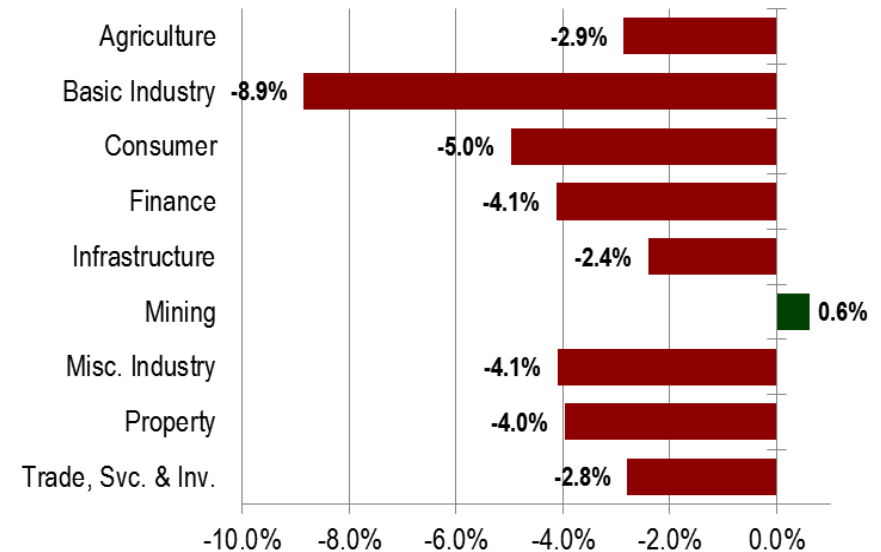
Global crude prices hit the highest since November 2014. On Wednesday, 10/03/2018/, Brent crude usually imported by Indonesia was traded at the level of USD86.29 per barrel. Meanwhile, the U.S. benchmark crude, light sweet, was traded at USD76.41 per barrel. The major factor driving global crude higher was the jitters of the U.S. sanctions against Iran potential for reducing supplies of global crude.

Global Equity Market



Source: Bloomberg, NH Korindo Research

Sector Index



Source: Bloomberg, NH Korindo Research

This Week's Outlook

- **August's Retail Sales**

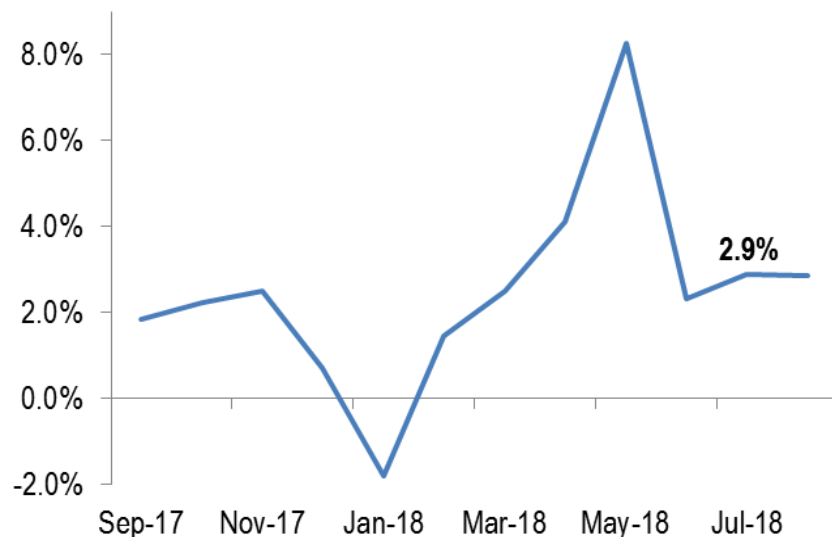
August's retail sales survey will be released on Monday, 10/08/2018. July's retail sales grew by 2.9% y-y, higher than June's retail sales of grew by 2.3%. The growth in July's retail sales was mainly affected by clothes and fuels commodities. BI estimated that August's retail sales stably grew at 2.8% y-y.

- **IMF-World Bank Annual Meeting 2018**

From Monday to Saturday (10/08/2018 – 10/14/2018) IMF-World Bank Annual Meeting will be held in Nusa Dua, Bali. The meeting is important to be discerned amid the global volatility. The meeting faces the looming global economic volatility stemming from unresolved global trade dispute, the Fed's monetary normalization, political upheaval in European countries. To date, the global economic growth is still accelerated. Of note, 2017's global economy grew by 3.8%, higher than 2016's global economic growth of 3.2%. However, in 2018 and 2019, IMF estimated that the global economic growth likely settles at 3.9%. It shows that concerns about the global economic volatility are on rise. The meeting is a crucial momentum signaling policies and outlooks on the global economic growth.

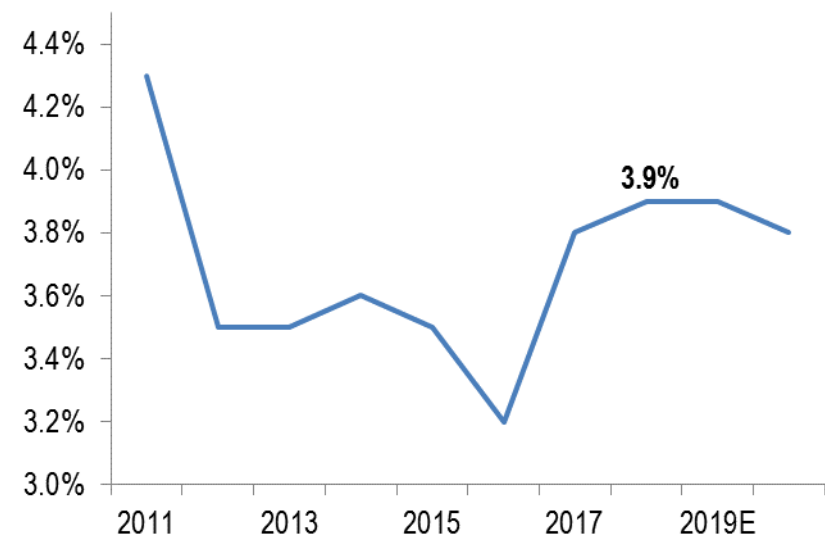
- We estimate that within this week, JCI will rally at the range of **5662-5865**. Last week's steep decline is likely to allure investors to perform buy accumulation of prospective stocks

Retail Sales Growth (y-y)



Source: Bank Indonesia, NH Korindo Research

Global Economic Growth



Source: IMF, NH Korindo Research

Mitra Adiperkasa (MAPI – Retail)

Dec 2019 TP	945
Consensus Price	1,016
TP to Consensus Price	-7.0%
vs. Last Price	+21.2%
Last Price (IDR)	780
Price date as of	Oct 5, 2018
52wk range (Hi/Lo)	945 / 595
Free Float (%)	49.0
Outstanding sh. (mn)	16,600
Market Cap (IDR bn)	12,948
Market Cap (USD mn)	851
Avg. Trd Vol – 3M (mn)	13.91
Avg. Trd Val – 3M (bn)	11.37
Foreign Ownership	25.5%
Revenue Breakdown:	
Retail Sales	72.0%
Department Stores	14.9%
Others	13.1%

IDR bn	FY2017	FY2018E	FY2019E	FY2020E
Sales	16,306	18,974	21,303	22,155
y-y	15.2%	16.4%	12.3%	4.0%
EBITDA	1,803	2,412	2,832	3,052
Net profit	335	863	958	1,234
EPS (IDR)	20	52	58	74
y-y	60.5%	158.0%	11.0%	28.8%
NPM	2.1%	4.5%	4.5%	5.6%
ROE	9.0%	18.6%	17.5%	19.1%
P/E	30.8x	15.0x	13.5x	10.5x
P/BV	2.4x	2.6x	2.2x	1.8x

• Double-Digit Growth Will Continue until End of 2018

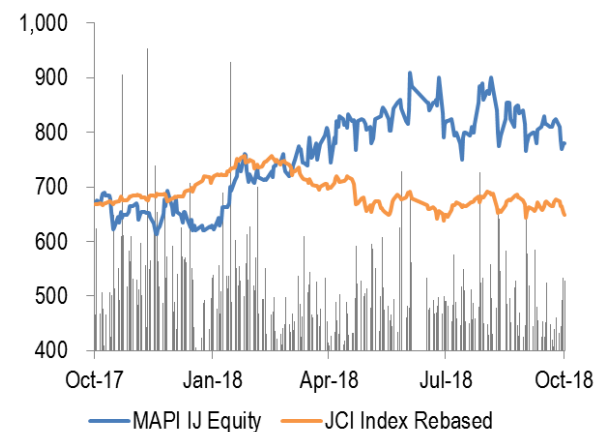
We project that in 3Q18 MAPI is capable of posting revenue growth topping 2018's revenue target of 15%. Positive catalysts such as Asian Games as the sales bolster for retail active products, Festival Jakarta Great Sale and Hari Belanja Diskon Indonesia programs, and its aggressiveness in launching specialty stores covering on areas of 40,000sqm and food & beverages stores covering on areas of 20,000sqm in 2018.

In 1H18, its revenue grew by 18.0% y-y to IDR9.1 trillion, boosted by the growth topping 20% y-y in the retail sales and food & beverages segments. Indeed, SSSG performance also grew by 8% y-y coupled with the growth of 10% in SSGG posted by the specialty stores segment.

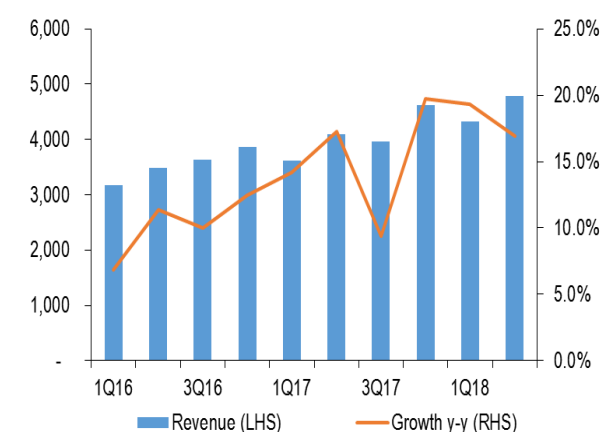
• Robust Performance for Facing Rupiah Depreciation

The rupiah depreciated by 12% YTD in September had less significant impacts on MAPI's performance, considering MAPI's consumers characteristic (middle to high individuals) robust enough to face such risks. MAPI's expansion strategy for boosting the food & beverages segment likely cushions and maintain its performance in ahead years.

Share Price Performance



Quarterly Revenue | 1Q16- 2Q18



Vale Indonesia (INCO – Nickel)

Dec 2019 TP	5,325
Consensus Price	5,177
TP to Consensus Price	+2.9%
vs. Last Price	+50.4%
Last Price (IDR)	3,540
Price date as of	Oct 5, 2018
52wk range (Hi/Lo)	4,720 / 2,570
Free Float (%)	20.5
Outstanding sh. (mn)	9,936
Market Cap (IDR bn)	35,175
Market Cap (USD mn)	2,311
Avg. Trd Vol – 3M (mn)	9.37
Avg. Trd Val – 3M (bn)	35.84
Foreign Ownership	99.8%
Sales Breakdown:	
Nickel Export	100%

USD mn	FY2016	FY2017	FY2018E	FY2019E
Sales	584	629	812	906
y-y	-26.0%	7.7%	29.0%	11.7%
EBITDA	140	105	266	320
Net profit	1	(18)	93	136
EPS (IDR)	2.0	(25.3)	133.3	194
y-y	-97.0%	N/A	N/A	45.5%
NPM	0.3%	-2.9%	11.5%	15.0%
ROE	0.1%	-1.0%	5.0%	6.9%
EV/EBITDA	14.5x	18.6x	9.4x	7.3x
P/BV	1.1x	1.2x	1.4x	1.3x

• 3Q18's Expectancy: Growth in ASP

We are optimistic that in 3Q18's INCO likely posts the net profit of USD30.9 million, growing by 36.8% q-q, while its net profit margin likely grows by 14%. The estimated growth is attributable to the hike of 2.7% q-q and 45.6% y-y to USD11,100/ton in ASP. The growth is spurred by the trend of higher global nickel prices.

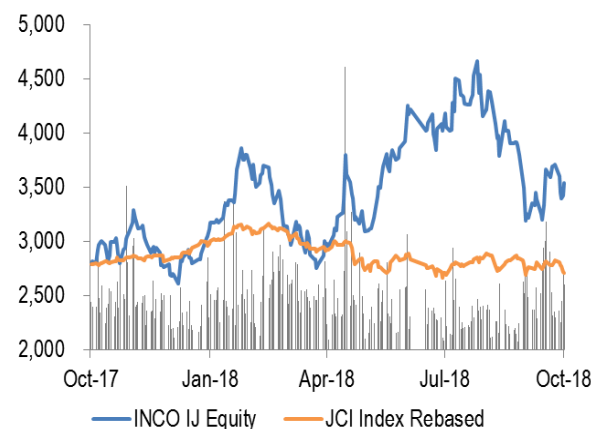
• High Demand for Nickel

We estimate that global nickel prices will be maintainable at above USD14,000-15,500/ton in 2018F-2019F, with the following assumptions: 1) the growth of 5%-7% in China's steel consumption, a positive impact of the reduction of 20% on export tariffs imposed on steel and nickel, respectively; 2) the U.S. Sanctions of exports limitation against Russia, one of the world's biggest nickel producers, causing the deficit of 19,000 tons in global nickel supply or declining by 18% in 1H18.

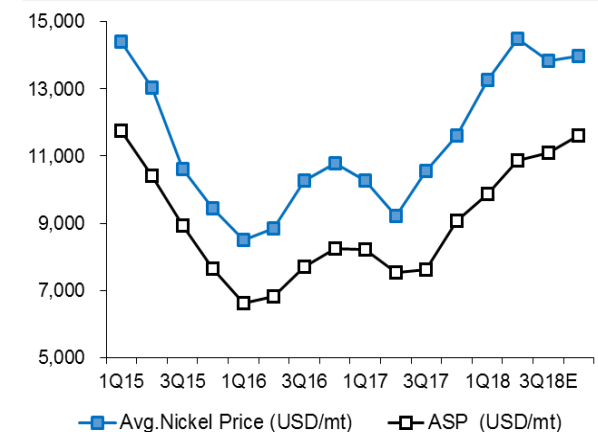
• Making the Best Use of Trend of Electric Cars

INCO targets the production of matte nickel (nickel with high calories) to reach 77 thousand tons until 2018F. In 6M18, its matte nickel productions reached 46.7% of its production target. Of note, matte nickel is the major component of electric car's batteries; accordingly, the trend of increasing production of electric cars will have positive impacts on INCO. Acknowledging the trend, INCO plans to construct new smelter in Pomala. The smelter will focus on producing matte nickel and supply them to batteries factories.

Share Price Performance



ASP & Avg.Nickel Price (USD/mt) | 1Q15 - 4Q18E



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